

**ARIZONA STATE PARKS BOARD
1300 WEST WASHINGTON STREET, PHOENIX, AZ
FEBRUARY 3, 2009
MINUTES**

Board Members Present:

Reese Woodling, Chairman
Tracey Westerhausen, Vice Chairman (arrived at 9:20 a.m.)
William Scalzo
William Cordasco (via telephone)
Arlan Colton
Larry Landry (arrived at 9:15 a.m.)
Mark Winkleman

Staff Members Present:

Kenneth E. Travous, Executive Director
Jay Ziemann, Assistant Director, Partnerships and External Affairs
Jay Ream, Assistant Director, Parks
Brad McNeill, Acting Assistant Director, Administrative Services
Cristie Statler, Assistant Director, Outreach
Debi Busser, Executive Secretary
Jeanette Hall, Chief, Human Resources
Tye Farrell, Research and Marketing
Ellen Bilbrey, Public Information Officer

Attorney General's Office:

Laurie Hachtel, Assistant Attorney General

A. CALL TO ORDER - ROLL CALL

Chairman Woodling called the meeting to order at 9:05 a.m.

B. INTRODUCTIONS OF BOARD MEMBERS AND AGENCY STAFF

Chairman Woodling asked the Staff and Board to introduce themselves.

Mr. Winkleman read the Board Statement.

1. **Board Statement** - "As Board members we are gathered to be the stewards and the voice of Arizona State Parks' Mission Statement: Managing and Conserving Arizona's Natural, Cultural, and Recreational Resources, Both In Our Parks and Through Our Partners for the Benefit of the People."

C. BUDGET UPDATE

1. Update and Discussion on Latest Information on the Budget

Chairman Woodling stated that he scheduled this Special Board meeting today for a Budget Update and how it affects this agency. He believes that he can speak for himself, the Board, and staff in saying that they haven't slept much lately. Arizona State Parks (ASP) is a conserving agency and conserves a lot of wonderful lands and artifacts, historic resources, and it makes him sick to be in this situation. But, we are and we have to move forward.

Chairman Woodling reported that he, Mr. Scalzo, Mr. Travous, and Executive Staff met with the Senate Committee on Natural Resources yesterday. He asked Mr. Travous to give the Board a budget update as he did yesterday. He also noted that there are a number of people who wish to speak. That will come later in the meeting. Because of the large number of people wishing to speak, there will be a 5-minute time limit on each speaker.

Mr. Travous reported that at the Board's January 9th Board meeting he told the Board that the agency was scraping by, but that he anticipated with the budget bill we had we would still be able to close the books. It would not be easy. Staff was tracking revenue and even though visitation was down by 5% our revenue was up by about 1%. He had also reported that the conservative way staff had approached things and the measures they had already taken would make the budget balance. A week or so ago staff received the recommendations of the Chairmen of the House and Senate Appropriations Committee. At that point in time they were listed as "budget options". Last Saturday, that measure was voted up by the legislature and signed by the Governor.

Mr. Travous stated that over the past week staff had been in the process of trying to make sense of what those budget cuts meant. In order to run the agency, there are 12 funding sources: the General Fund (27% of our operational cost); the Enhancement Fund (our fees, which are about 35%); and in smaller percentages, the Land Conservation Fund, Off-Highway Vehicle Fund, AZ Heritage Fund Interest, State Lake Improvement Fund, AZ Heritage Fund (operational parts), Publications Fund, Reservations Surcharge, Donations Fund, and the Partnerships Fund.

Board member Landry arrived at this point.

Mr. Travous stated that the terms of argues used in the budget options are as follows: lump sum reductions; personnel savings; fund transfers; spending revisions; technical revisions; fund reductions and transfers; and excess balance transfers. Those are 7 terms of argues and 12 funding sources which means we have 84 moving parts to try to figure out what exactly was going on with our budget. It was not easy. It took staff several days to understand it.

Mr. Travous added that there was a meeting with the Chairman and Past Chairman last week to go over those budgets. Staff described to them what budgets had been moved and where. Sometimes the budgets are swept and then transferred; sometimes they are transferred and then swept; there are things they like to call excess balances (he doesn't know what they would call an excess balance in this day and age). The Chairman and Past Chairman were confused and noted that it didn't make any sense.

Mr. Travous noted that staff then went back to the basics and, rather than try to express to the Board the details (which he can) is to explain what the agency is left with.

Mr. Winkleman asked if the Board would be talking strictly about Fiscal Year (FY) 2009 or both 2009 and 2010.

Mr. Travous responded that he was originally going to be talking about both FY 2009 and 2010, but today the Board would be talking just about 2009.

Mr. Travous distributed two documents for the Board to review.

Mr. Landry stated that he wants all the detail. It was disturbing to him to twice read about it in the newspaper and trying to get details yesterday to no avail. On Friday he received detail from several other agencies on the cuts but nothing from this agency. It is complicated, but he does understand it. He asked how he can make a decision if he doesn't know what it means. He has some questions that he could have answered, including a couple for our attorney. He noted that the Board would move on; they have to make a decision today; he's prepared to do that; but he wants to see the details. This document is inadequate.

Mr. Travous responded that this document does not give details. He would like to start with the end result and then give as much time as possible explaining how we got there.

Mr. Landry responded that this Board, statutorily, has a duty of care. The Board wants the staff recommendation but in that duty of care the Board needs to have all the input. This is brutal – brutal all over the state. He wants to hear how staff got here and answer questions. At the same time he wants to express his concern of how does he do his job without information either ahead of time or at this meeting.

Mr. Travous responded that, unlike most other agencies, ASP doesn't have just General Fund and some interest here and there to look at – we have 12 funds and 7 terms of argues – which meant that we have 84 things to track in a week's time. As soon as staff thought they had it, they found another nuance to take care of. Then, last Thursday, another \$1M was taken out. That changed the scenario all over again.

Mr. Travous stated that he wanted to start with the end result just so the Board knows where we are and why; at this juncture, we are not talking about the FY 2010 budget. As of July 1 the agency starts the FY with \$183M – balances from other funds coming in (what is sitting out there). That's what the legislature was looking at. Their focus was to get to \$1.6B. They were looking at the number – not the consequences. The revenue and deposits for FY09 were anticipated to be about \$67M on top of that. Of that fund we have grants and capital contractual obligations of \$118M. Those are grant funds we have sitting out there that people have applied for the grant, we have given them a grant, we have signed a contract. We hold the money and reimburse them because that's how we make sure that they spend the money wisely. The Operations Budget for FY09 was just over \$25M. In mid-year sweeps the legislature took another \$7M which meant that at the end of the year cash balance we had \$98M. It still sounds like a lot of money.

Mr. Travous noted that budget reductions on January 31 took out \$26M which leaves \$72M. That is not money ASP can touch. Of that \$72M, \$500,000 is in the Law Enforcement Boating Safety Fund (LEBSF); \$66M is in the Land Conservation Fund; and \$6.6M is in the non-operating part of the Heritage Fund. The agency cannot touch either of those funds without the legislature changing those laws. That means that in this FY the agency is \$647,000 in the hole. We don't make it to the end of the FY. That is what he wants the Board to understand. The bottom line is that the money that is taken is so vast and so breathtaking that it leaves us \$647,000 in the hole.

Mr. Travous added that he might say that that is the best case scenario because staff don't believe that some of the sweeps they're talking about are there. The legislature looked at it as lump sum where they saw fund balances. For example, they want to take \$10M this year out of State Lake Improvement Fund (SLIF); staff only anticipate

\$7.5M there. In that money they take \$1.9M from the Land Conservation Fund. Staff don't know if there's \$1.9M they can take legally. They've tried it twice but Governor Napolitano has always vetoed it. He's sure it's likely to be challenged in the courts if they try it again this time. That means that that \$1.9M gets added to the \$600,000 and now we're at \$2.5M in the hole by the end of the FY.

Mr. Landry stated that, although the Board has had comments from its advisory boards about the Board's aggressiveness in taking fees from grant administration and overhead, some of them mentioned a couple that statutorily have limits, some are silent in the statutes. He believes the Board's attorney, Ms. Hernbrode, has said that the reason the Board can do that is because they are legitimate and germane costs. He asked if staff have looked at, say, Heritage funds. The Board took some money that was necessary to keep a program going, and while the advisory committee didn't really like it, our choices were very limited. He asked if staff looked at that to close this \$647,000 gap and are there other areas that are legal to tap. The Board could be a little more aggressive and say that this is a one-time shot for FY09 and that the Board will look at FY10 to help avoid these draconian measures being recommended.

Mr. Travous responded negatively. Staff don't have those options. The money that was taken from the Heritage Fund legally were for capital projects. Staff had the authority to do that. The authority staff have in the Heritage Fund is by composite. Seventeen percent of it goes to environmental education. The money the Board took that gave some people heartburn was from a portion of that fund for those purposes that they didn't have any input on. The only other place besides Operating is the Heritage Fund Interest. That money is being tapped. They are taking \$5M from the Heritage Fund in this proposal.

Mr. Landry asked if the legislature took the entire Capital Improvement Fund budget the Board approved for construction in various places like Picacho. If not, is there a way to substitute from other funds to somehow free up some money? He assumed that the \$647,000 being discussed is pure operational – no capital.

Mr. Travous responded affirmatively. He stated that was the other part of this being the best case scenario he was talking about. They took the \$1M out of Jerome and put it into the fund to balance. They took the money in the grants the Board approved last fall. The bids were let. We have contracts.

Mr. Landry responded that that is illegal. ADOT went through this and has several legal opinions with the STAN fund.

Mr. Landry noted that there is the potential of closing several state parks. It was reported that they are the highest cost-per-visitor. He asked if staff have bifurcated that between in-state and out-of-state visitors.

Mr. Travous responded negatively.

Mr. Landry asked if it would make sense to look at what AZ's residents use first. If we're really looking at cost-per-visitor, we have a lot of parks where possibly the tourism could be redirected. Tourism is a big thing about parks. He would like to see the numbers for in-state visitors.

Mr. Travous responded that staff can back those numbers out. Staff looked at the cost-per-visitor. He noted that the agency had a hiring freeze on since last January (2008).

The only vacant positions that have been filled were in the field. Vacancies in the Phoenix Office remain open, and there are a lot of them. All seasonal help have been laid off effective this coming Friday (letters were mailed yesterday) which affects about 60 people.

Mr. Landry noted that some of the other governments (municipal and others) that have had these severe cuts have asked their employees to take X hours per week without pay, to donate their vacation pay, etc. Instead of closing things or instituting more layoffs, everyone sacrifices the same pain for this short-term. He asked if staff analyzed that and if there are numbers for that available.

Mr. Travous responded that the Department of Administration (DOA) has advised staff that it is a very slippery legal slope to ask people to take time off – even to volunteer to take time off during the week – because of the lawsuits that would come because the question would be whether it was really voluntary or were they forced to do it.

Mr. Landry stated that he understood what Mr. Travous was saying. He then asked if DOA advised the legislature that after contracts were let and legal obligations incurred that they could sweep the fund. He noted that it appears there's a disconnect here. If we can't do it, then we can't do it.

Mr. Colton stated that he appreciates all the questions but would like to get back to Mr. Travous' report and the proposal to be on the floor. He believes that what we're doing now is exploring alternatives to something that isn't on the floor.

Mr. Landry responded that if the Board had received the material ahead of time, all of his questions would have been answered.

Mr. Colton responded that he understood that, too. However, he is in the same position as Mr. Landry. For him to understand this, he would like to have the full scope of the presentation and then ask questions.

Chairman Woodling noted that Board Member Westerhausen was present. He asked Mr. Travous to resume his presentation.

Mr. Travous stated that before he talks about park closures, he wanted to say one thing. What these plans ignore is the fact that our buildings are literally falling down. The words used in the budget options were that they would take the \$1M from Jerome State Historic Park and the inconvenience would be that there will be a room the people cannot see when they go through the park. That's not the problem. The problem is that the building is falling down. The reason that the building is falling down is that we have not had our budgets increased since the last budget sweep in 2002 when they diverted the Capital Budget to Operating costs. At that point in time, we stopped putting money into our buildings and now are sitting down to a banquet of consequences. It ignores that McFarland has a hole in the wall one could stick his arm through. It ignores that Lost Dutchman, Slide Rock, and Buckskin all have waste water treatment plant upgrades that the Board is under Consent Order to upgrade and that Lake Havasu City said that we have to go to an 8" main for fire suppression which is another \$500,000. It ignores all those things.

Mr. Travous added that another point that makes us different from other state agencies is that other state agencies get an appropriation from the legislature and are expected to make sure that at the end of the year they have not overspent that budget. Our first

response is to make sure we take our fiduciary responsibility high priority. We are a cash flow agency. Because 35% of our budget comes from the fees we collect, we are literally taking money from the public and then funding employees as they work. The problem with that is that the agency cannot go to people and tell them that we know they might come in April 2010 but we'd like the money in July 2009. It doesn't work that way. If we start to run out of money, we can't go to the bank like a private enterprise could. Therefore, the \$647,000 that we are in the red is only a tipping point that we know about. We can go into the red any time this FY year because they have taken these funds, and if our revenue doesn't come in in great numbers, our income falls below that zero level and we're in the hole. That's when the Treasurer's Office cuts off our payroll. We are in that precarious of a situation.

Mr. Travous reported that the first thing staff did was to lay off all of our seasonals. It is the equivalence of 20 full time employees (FTEs); it represents about 60 people, not all of whom were working right now but were planning on coming back to work for their season. He stated that we need to make up a lot of money real fast. While we can chip around the edges, the fact is that we are out of time. We need to make up at least \$647,000 by the end of this FY. Today he is proposing the ultimate closure of 8 of our state parks. He distributed the list to the Board. The information was updated yesterday. Those parks under consideration for closure are: McFarland State Historic Park (net gain \$159,844 affecting 3 FTEs), Oracle (net gain \$243,207 with a running total of \$359,191 affecting 4 FTEs), Homolovi (net gain \$244,397, running total \$503,588 affecting 4 FTEs), Yuma Quartermaster Depot (net gain \$255,758, running total \$759,346 affecting 4 FTEs), Tubac (net gain \$174,267, running total \$933,613 affecting 4 FTEs), Ft. Verde (net gain \$174,267, running total \$1,065,753 affecting 4 FTEs), Lyman Lake (net gain \$181,319, running total \$1,247,072 affecting 4 FTEs), and Riordan (net gain \$155,183, running total \$1,402,255 affecting 4 FTEs). Staff are updating these numbers for this fiscal year. They may change a little, but he doesn't see any drastic changes. Basically we're talking about \$1.4M-\$1.5M in savings on an annual basis but we only have 5 months left in this FY. That leaves us with just the savings we get from these closures at this point in time.

Mr. Travous stated he is asking the Board to do two things. The other part of this is that they swept all of the funds we have under contract from the September 2008 Board meeting. He is asking the Board today to pass a resolution to all staff to suspend all payments of grants so that he can send out a letter to the grant recipients to tell them to stop spending money by the end of February and that ASP will not honor any billings after February 28th. That gives them time to close their books, puts them on notice, and is the fair thing to do. He has talked with several mayors over the last couple of days and several city managers and told them this would be his recommendation. He noted that the Board gets about \$150,000-\$175,000 a year from Yuma for the Quartermaster's Depot. If we do have to close that park, they have asked that we return the money they have already given the agency to keep the park open on a pro-rated basis. He told them he thought we would do that because it is the honorable thing to do.

Mr. Travous stated that when it comes to park closures, there are legal issues that still need to be understood. There are reversion clauses that need to be attended to; there may be some Recreation and Public Purposes Act issues; there may be some State land leases on parts of them. Staff need to do their due diligence on all 8 parks. The other thing that needs to be done over the next couple of weeks relates to the Reduction In

Force (RIF) process that DOA needs to go through with us. We have to send the list to DOA and they have to approve it before we go through with any of this. He doesn't know what kinds of glitches may show up in that process. DOA is conducting workshops beginning this week on those processes. Staff will be there in force.

Mr. Travous stated that, when it comes to park closures, the Board approve these 8 parks to be discussed and closed after the Board has reviewed them at the February 20th meeting. That gives staff 2.5 weeks to do their due diligence, contact the legislature to see if there are any other fixes that they can make, and work with DOA to look at RIF procedures.

Mr. Travous added that staff will look at all of the operations of the agency to see if there are other options to make ends meet. However, he can tell the Board that they will all include RIFs because 80% of our budget is personnel costs.

Mr. Landry called for a point of personal courtesy. He stated that there are a lot of people in the audience. He requested the Board take a five-minute break in order for staff to make copies of this material for the public.

Chairman Woodling concurred with Mr. Landry's request and called for a Recess at 9:45 a.m.

Chairman Woodling reconvened the meeting at 9:53 a.m.

Chairman Woodling stated that Mr. Travous would now answer any questions from the Board.

Mr. Cordasco noted that whenever the Board has seen cuts or efforts to save in the past, the money doesn't come back. It's not necessarily a reward to try to save in certain areas. In closing state parks and some of the other efforts staff are trying to put in place, what happens if we make these savings down-the-road?

Mr. Travous responded that the savings he's proposing consideration of now just gets us to the end of this FY. If we don't make it, the FY10 budget doesn't matter.

Chairman Woodling noted that the Board is not here today to necessarily discuss the FY10 Budget; that's a different issue that this Board will have to address. We need to discuss the cuts in FY09 that we're facing right now.

Mr. Cordasco responded that he appreciates that. He noted that the Board will be making some decisions today that will affect FY10. It's hard to not blend the two.

Chairman Woodling agreed. He asked Mr. Travous if he would tell the Board what may come down in 2010.

Mr. Travous responded that he could tell the Board that the Budget Chairman's recommendations talk about another \$25M sweep in 2010 beyond what they took this year. They took balances; they thought they left some money there. They're taking parts of those balances next year. The fact is they took so much this year that there's nothing left for them (in some funds) to take next year. He doesn't think they realize that yet. When basing funding on interest, and the corpus has been taken, one is left with nothing. The State budget is twice as bad next year as it is this year.

Chairman Woodling noted that it was mentioned yesterday at the Senate Natural Resources meeting that going into July 1 the agency does not have a credit line and are already \$3M-\$6M in the hole.

Mr. Travous responded that the other factor is that because we are a cash flow agency we have to start the year with money in the bank. The money that is allotted to the agency from the General Fund, for instance, is allotted in quarters. They do it 28%-30% in the first quarter. However, the first quarter is when all the funding sweeps occur. Risk Management will come in and take \$500,000 right off the top; DOA will take \$1M right off the top. DOA will then take another 4% off the top for vacancy savings we will have. In the past we borrowed money from other funds to fill that hole in the first quarter and then made that money up throughout the rest of the year in order to end the year in the black. The last two years, because there's been no increase in our Operating budget, we've requested a \$500,000 bump in our Operating budget. We didn't get it. We've been paying our electric bill the past two years through our vacancy savings so that at the end of the year we have enough to pay the electric bill. Now they're increasing the vacancy savings that they take. We need \$6M in the fund at the beginning of the next FY - \$3M from General Fund and \$3M from Enhancement Fund needs to be sitting there when we start the next FY because of all the funding sweeps that will happen.

Mr. Scalzo stated that he had a few technical questions to ask. In terms of RIFs that we're talking about with layoffs, it could take weeks to implement depending on what the procedure is. That could affect the numbers. He asked if staff have any idea what that period of time would be.

Ms. Hall, Chief of Human Resources, responded that typically DOA has a 20-day turn around time once the agency has submitted their RIF information. They have, according to their Rules, 20 days to get back to the agency. It depends on how many other packages they have.

Mr. Scalzo asked if the employees then have an opportunity to take other positions within state government or within the state parks system.

Ms. Hall responded that part of that is within the design of the RIF. The agency has to determine how it will design the RIF. It can be by agency, organizational unit, or geographical areas. It really depends on that design.

Mr. Scalzo noted that the Board may not be able to close some of those parks do to certain technicalities. He stated he presumed that that could include the funding source that acquired them such as Land and Water Conservation Fund (LWCF), federal funds that have restrictions, etc.

Mr. Travous responded that, in the final analysis, there are legal hurdles to overcome. It could be a title restriction, a third-party agreement, etc. Those are the things staff need to sort through. He added that if there's no money left, the Board is leaving that problem to someone else because we need to make it through this FY. That is our problem and it's something that the Attorney General's Office will have to sort out.

Mr. Scalzo stated that the only reason he asked this question is to know the consequences it could mean for State government if we're violating certain federal grants and restrictions on lands that the Board owns and perhaps the loss of those lands.

Chairman Woodling noted that Mr. Ream advised him that on some of these parks that are listed there are some very valuable artifacts that would have to be taken care of. A lot of those artifacts, such as at Tubac, would deteriorate without air conditioning or the

ability to heat the building or whatever. Vandalism would be another problem. These are very serious times. There is a budget crunch that is devastating to the entire system, not to just to these eight parks.

Mr. Winkleman stated that there is a short period of time to analyze the budget. It looks like we have a \$600,000 issue to make it to the end of the year. Staff have come up with one solution which would be closing these 8 parks. The Board is not being asked to make that decision today. As he understands it, this is a solution. Staff have additional work to do; the Board has an opportunity to think about it and talk with various people and try to make a decision at the February 20th Board meeting. He asked if that is the goal.

Mr. Travous responded that he is asking the Board to approve the list of parks presented for consideration at the February 20th Board meeting. That approval lets staff focus their efforts on those parks and the legalities and numbers that can be saved. It also gives staff time to continue to work with the legislature to see if there are other solutions. It gives staff time to see if more needs to be added to that list. Staff will know better from DOA what time constraints they have and how much money will have been lost by then.

Mr. Winkleman asked what good that does. What if, between now and then, the Board decides that perhaps a couple of these parks shouldn't be closed and a couple of others should. He asked how a Board action such as is being requested helps if the ultimate decision by the Board varies from it.

Mr. Travous responded that the ultimate decision could entail a lot of things. It allows him to focus staff's time on these projects and what is entailed. Because so much of our money is in personnel services, it will affect personnel no matter what we do. It just helps staff focus on this issue. We still have to deal with the grants issue. Let's just focus on those parks and get that process started. If the Board changes them in two weeks from now then we change what we look at and then take it to DOA and run those numbers. He has looked at the most cost-effective way and that is borne by the net cost per visitor. It affects the fewest number of visitors and saves the Board the most money.

Mr. Cordasco stated that he needed to follow-up on Mr. Winkleman's issue. He is thinking about seasonality issues. Why couldn't Slide Rock, Red Rock, and others be completely closed until July? Or some other combination. Why couldn't parks be closed by seasonality rather than cost-by-visitor?

Mr. Travous responded that staff looked at that option. The Board tried seasonal closures in 2002. The budget situation was much less than it is now. The problem with seasonal closures is that we're dealing with full-time staff that need to be moved all over the state. They still live at the parks. It's not like seasonal closures where people live in Phoenix and just drive to work. These people live at the parks. If we seasonally close Lyman Lake, what do we do with the 4 FTEs who live there? We can't lay them off part of the time – at least that's what DOA says. The other issue is that with partial things, the problem starts to cascade throughout the agency. If we don't lop off an arm now and staunch the bleeding there, we will end up having to cut it off at the shoulder a month from now. Staff are trying to cut it off and put a tourniquet on it and save it by the end of this FY.

Chairman Woodling noted that Board Member Landry brought up a very good point in looking at the non-resident visitors at some of these parks and seeing if there are other parks that may fit and save us more money than the parks that are on this list. What will staff do if they find out in further investigation that some of these parks really bring in more money or out-of-state visitors.

Mr. Travous responded that the park that will be affected most, should the Board go down that route, is Lake Havasu. In looking at the people who come in, almost half of Lake Havasu's visitation is from California. Lake Havasu is a big money-maker. That's what would be traded out. He added that we can always add things on at the meeting February 20th.

Mr. Landry noted that it's been stated in the paper that AZ has the worst General Fund deficit percentage wise in the nation. We will have that again next year. He is really glad he's not a state-elected official. These are very difficult decisions in trying to balance this budget. If he were voting, he might make different decisions. He has a lot of empathy for the state legislature; however, in this role he is a pure advocate for ASP. It breaks his heart to see Oracle on the closure list because it is one of the three parks he had a part in bringing into the system in the 1980s besides Slide Rock and Red Rock. There is no bad park on this list.

Mr. Landry stated that he wanted to raise specific concerns about Homolovi. Just like Kartchner Caverns State Park, it has turned into one of the most unique state parks we have because of the cultural and historical native connection with the Hopis. It is a model of a native state park with a Hopi Advisory Committee operation. He was involved in bringing that park into the system many years ago when he was in the Governor's Office. In looking at that corner at the state and at how that community and the Native American community have embraced that park, he will have other choices on other parks before he would ever support Homolovi being closed. He added that he understands that the Board has to look at moneymakers, but he really wants to see the data on in-state vs. out-of-state visitors because his view on out-of-state visitors is that they have other places to go and we can redirect them to other parks.

Mr. Landry asked if staff have talked to the Parksland Foundation to see if they have any emergency funds they can throw in here to help lighten the load. He added that his comments to Mr. Travous earlier were on process and not substance. Mr. Winkleman has the same bloody process in the State Land Dept. He stated that he would like data on all of the parks on in-state cost per visitor.

Mr. Landry added that this can't be all about numbers. There will be no easy choices. He again stated that he would have a lot of difficulty voting to close Homolovi. If this vote staff are requesting the Board take today is limiting and focusing, he will not support it. He would support going forward. The Board meets again on February 20th and there are a lot of people who want to give input to the Board. It won't be easy. The people serving on this Board volunteered for this job, were appointed and confirmed, and have to balance and decide what our fiduciary responsibility is.

Mr. Landry noted that he has a lot of empathy with staff and knows other staffs are going through the same thing throughout the state. It is brutal – and will be more brutal next year. He is concerned that the FY09 decisions can be the precursor and the base for FY10.

Chairman Woodling noted that Mr. Landry brought up some history on Homolovi. He stated that he was Chairman of the Board that hired Mr. Travous. The first thing he and Mr. Travous did was to drive up to Homolovi and look at that potential park. They realized that there were some tremendous artifacts that were being vandalized and taken. He has to agree with Mr. Landry. All of the Board members, at some time or another, were involved in either working as a private citizen to get a park established or were on the Parks Board. He was on the Parks Board in the 1980s and they put in 8 or 9 parks under Governor Babbitt with the money that was flowing in because of the growth of the state. When talking about history, he has a lot of history, too, as does everyone on the Board. This has been a very tough week and month for him. He hasn't slept much. He knows that everyone on this Board feels the same when we start talking about a specific park or a series of parks to close, everyone has a history with every park and it's a hard, hard thing to even talk about. He added that he visited Homolovi in October. To think about that park closing and the vandalism that will take place and the people who will be laid off is difficult.

Mr. Winkleman stated that, as a Director of another agency that's being devastated, he certainly sympathizes. These are unprecedented and incredibly challenging times for all of us. We are being forced to make decisions that none of us ever wanted to have to make. But, we are where we are. His agency also learned about this last week. It's tough; there's a lot of information; a lot of difficult decisions that need to be made; and a variety of options. In light of the comments just made relating to Homolovi, and the probability of many members of the audience telling the Board how important other parks are, he would say that he has no problem giving staff direction saying this is a severe enough problem that the Board needs to look at closing parks because there probably is no scenario where that won't happen. He believes that the Board needs to have some options rather than just one approach, based upon things the Board will hear today and will discover over the course of the next few weeks. There is no one right approach. He would like for staff to not focus on just one thing; he would like to see a bigger menu so the Board can help give staff some guidance. He added that he believes the Board should not ignore FY2010. The bigger problem lies ahead of us. FY 2010 is much more devastating than 09.

Mr. Winkleman added that Mr. Cordasco mentioned earlier that, in the past, when the Board made sacrifices we never got them back. They are taken away and never returned. He believes that the Board needs to look at the bigger picture because it's looming on the horizon. As the Board makes these difficult decisions, we need to be mindful that FY10 is only five months away and the problems will be bigger. Some of these decisions that we make should probably not be made just for the five months remaining but look at the longer-term. That is why he would ask staff to provide a menu of options and things the Board can sort through. The Board is going to have to be creative and there is no one right answer for this.

Mr. Colton stated he feels equally as strong about Tubac State Historic Park as other Board members feel about Homolovi. Tubac was the first state park. It has an incredible amount of resources there and the history of Southern AZ is tied to it.

Mr. Colton referred to the document listing proposed park closures and noted that the savings were annual rather than for the next five months. If he understands it correctly, that means closing these eight parks would save \$1.4M on an annual basis. When talking about closure of parks we are talking about closing them permanently

for at least the foreseeable future. He asked if it's a fair statement to say that even if these parks were closed there is still a shortfall in the amount needed to meet the budget requirements.

Mr. Travous responded that that is a fair statement.

Mr. Colton stated that, to that end, if the Board follows the annual revenue and operating costs per visitor and looks at which parks have income versus which parks have a loss his guess is that if there's a net loss next year if we are following correctly.

Mr. Travous responded that that is also a fair statement. He added that he appreciates the discussion for FY 2010. We have five months left in this FY.

Mr. Colton asked, regarding personnel, if it takes 20 days for DOA to get back to staff for a RIF in the system, if there is a notice period for employees or if they're out the door the next day.

Ms. Hall responded that once the agency has received approval from DOA, notices are sent out or meetings are scheduled with the affected employees and they have five days to let staff know if they intend to appeal the process. There is a process to appeal to review counting of points relating to seniority of service as well as retention points based upon performance evaluations. There is a formula for this for permanent status employees. All of that can potentially be waived depending upon the dollar factor.

Mr. Colton asked if the appeals process adds another month.

Ms. Hall responded negatively. She stated that the appeals process is very quick. It takes about 3-5 days. In the appeals process the employees have that time frame to appeal. They can appeal the points but not the RIF.

Mr. Colton asked if, under the RIF process, we would potentially run into a situation where a closed park has more senior positions than an open park and if the employees in the closed park have the option to move to the open park and bump people there.

Ms. Hall responded that it depends on the design of the RIF package. The agency can look at three different items when pulling together the RIF package.

Mr. Winkleman stated that the State Land Dept. is looking at the exact same process. They, too, are waiting for DOA's guidance. He believes that the point of this is that DOA will have plans submitted to them like they've never faced in their history. The fact that they are supposed to respond in 20 days may not be physically possible for them to do. Given the number of employees that may well be affected by all the agencies and the different plans, it can get pretty complex pretty fast. For example, there are less employees at the State Land Dept. than at ASP. It might well take them until the end of March before the whole process can be completed. As Mr. Travous points out, the agency's biggest expense is employees; so they will bear the brunt of this. It's a complicated and convoluted process. We don't really have time to waste because of its length. The Board is going to have to make some tough decisions. He believes that the Board needs to come to the next meeting ready to give staff guidance so that they can get busy on this. It will take some time to implement it.

Mr. Colton stated his appreciation of Mr. Winkleman's comments. He noted that as Board members they have a fiduciary responsibility to the parks and park system. It is a system, even if it ends up being a smaller system. He believes that the Board

recognizes that all of this is happening on the backs of the employees who have done no wrong other than to be in the position of being in an economy that is not working well for anyone. He has just gone through lay-offs himself in his job and he feels very much for these people. He also knows that it is going to be difficult. Some employees will understand it; some will not. He is very focused on the employees.

Mr. Colton asked if staff have discussed security at those parks that have artifacts or moving those artifacts to a protective location, even if it's renting a storage facility.

Mr. Travous responded negatively. He stated that because there are so many ways to go staff are trying to focus on the immediate situation. That is certainly something that will have to be thought about.

Ms. Westerhausen noted that something was mentioned about furloughs and similar programs. She noted that interests her, and probably other Board members because it appears to be a way to keep people employed and their health insurance in force. She asked if that shouldn't perhaps be included on the menu and perhaps a topic for Executive Session.

Mr. Travous responded that that information can be included for the February 20th meeting.

Mr. Scalzo suggested that with all the doom and gloom the Board ought to be concentrating on how we fix things in the future. One of the things that this Board decided to do a number of months ago was to bring in the Morrison Institute to perform a study and look at what the future bears for the Board. Both the former and current governors put together a proposed task force to look at direction for this system. The Board needs to be vigilant in coming up with fixes so that this doesn't keep happening. State government, like all governments, has ups and downs in revenues. We need to find a way to take this system, like Game and Fish has done, and find a permanent fix. That permanent fix may be a mix of so many things the Board has talked about today. We talked about the Tribal communities. Maybe our partnerships with them need to be improved in such a way that we perhaps become partly funded by them for some of the important facilities in the state. We need to take a look at the way the Growing Smarter Funds have been used. Although there may be cities and communities in the state who would like to buy land right now, they don't have any money. Those funds are just sitting there. We can't use them; no one can use them. We need to take a look at that program and, hopefully, the legislature perhaps could extend it further and utilize these funds in a more functional way over the next couple of years in the parks system. And then, we need to look at other easy fixes that are out there – everything from a license fee that would just come to ASP for operations and capital so we don't continue like this and every citizen in the state wouldn't have to worry about entry fees (they would be paying a simple fee on their license plates) and every citizen in this state with a car could go into any of our parks free. He believes that the Board needs to look at all those things. He doesn't know that that can be done in two weeks. He does know that we need a fix and that fix needs to come sooner than later.

Mr. Landry noted that some of our parks are joint-use with Game and Fish. He doesn't know if they were equally "meat cleavered" as ASP in the budget. They have different funds and fees. He asked staff to explore if they can take \$20,000-\$50,000 off some of the parks' burdens. He suggested that, after the Board members have a chance to

study this list, that sometime this week they provide any comments to the Director they would like considered. There are some that jump out at him, but he would like to talk to staff before suggesting them. He realizes that staff do not have the resources to study everything. He again stated in-state versus out-of-state visitation; other funds from new partners where there may not have been those linkages before (i.e., the Native American communities); municipalities could perhaps give some of the money they give for conventions to ASP since we are a part of the tourism industry. We need time to see if we can pull those rabbits out of the hat. The Board will do what it can do at the February 20th meeting. He noted that ADOT has money to put infrastructure in and out of our parks.

Mr. Travous responded that ADOT notified staff that they are taking that money away. It is a staff recommendation to their board.

Mr. Landry responded that he will personally weigh in on that.

Mr. Travous stated that one of the things that really strikes him is that the conservation organizations continue to do what they do and we can't. It strikes him that the Board can't do conservation on an ad hoc basis. The Board has to have a trust fund for the future generations because these types of funds will always be robbed on emergency bases and there's always an emergency that someone wants to take the Board's money for. Game and Fish has it right. They've been at it since 1922 or so and have done wonderful things. He commends them for that.

Mr. Travous noted that Board members have talked about their favorite parks. His favorite park is the last one he went to. If one is not captured by the resources he/she will be captured by the people who work there (their passion and love for the park they work at). The list he provided to the Board represents his cold-blooded look at things.

Mr. Landry stated that he wanted to commend Mr. Travous for doing it. The Board needs his recommendations and his analytical look at these things. He understands that the governor can add a few more people to the task force. He suggested that we may be running out of time on some of this. A couple of other states have added a small amount to their license plate fees and allowed all in-state residents into their parks for free. He would really like to see that and knows that the Board cannot legally do it. It might be something staff might want to take to the legislature because they can do this. It would at least give them the opportunity to save a little more money in cash flow.

Mr. Landry discussed the ATV fees the agency should get from 1167. He asked if they are swept or if the Board has those moneys.

Mr. Ziemann responded that those fees do not appear anywhere in the budget.

Mr. Landry noted that the Board has a very good advisory committee and a lot of staff who work on it. He asked if, because it is not excluded in the legislation, the Board could take administrative fees and apply them to staff. It could easily amount to a couple of thousand dollars. That's much cheaper than the universities charge on a grant. He suggested that by the end of the first quarter there would be some money. He asked if the Board could use the first bunch of money on its human infrastructure. He noted that the Board also gives out grants.

Mr. Travous responded that ADOT is requesting a lot of that money because they are running the program for the registrations.

Mr. Landry responded that staff and the Board know his personal opinion on that. Legally they are not entitled to get anything.

Mr. Cordasco suggested that staff thoroughly consider the marketing strategy and general information and how it is presented down the road to maintain the parks that are still vibrant so that people understand that there is still a parks system. He also suggested that the Board be established in a position where we can participate in opportunities that will potentially present themselves whether it be a bailout coming to AZ or other things that may come up. We really need to be aware down the road in decisions made today in how the Board positions itself to take advantage of those opportunities. The AZ Centennial is coming up in short order. Certainly the AZ Centennial would want to highlight Arizona's history and that's what ASP does the best.

Mr. Cordasco added that he would like to echo what Mr. Winkleman discussed earlier regarding a motion on the eight parks. He would like to see that it contains potential for adjustments that may come up in the next couple of days. He also proposed that somewhere around February 18th there be another meeting, work session, or call-in. He would hate to show up at the meeting on the 20th and have to brainstorm at the same time. He feels that the Board would be better prepared to make decisions if there were another special meeting prior to the 20th.

Ms. Westerhausen noted that Mr. Travous asked the Board to do two things – not just to consider the park closures but also to suspend payments on grants by February 28th.

Mr. Ziemann reported that the budget bill states that the funds are going to be swept on February 28th. Practically, staff are asking the Board to declare that as of today all work is to stop. Valid bills that the communities have for work that has been done prior to today can be submitted in the next week or so. Those bills that are valid and done prior to today would be paid. His point is that staff cannot alert people as of February 28th because the money will be gone on the 28th.

Mr. Landry asked the staff to talk with the City of Mesa, who has a legal opinion from ADOT who got advice from the Attorney General's Office that says once the state enters into a legal contract and obligates the money they cannot be swept legally. Before staff send those letters out, we need to see what our legal standing is – there's legal precedent with a city and another state agency that he knows of. That other state agency was very successful with the state legislature in saving that \$30 million. He understands that if the Board has to do that then there needs to be some notice. However, unless the Attorney General has changed his mind since last Thursday, he believes it's worth pursuing because these communities are relying on the Board for this money. The legislature has already swept a lot of the Board's money. If these funds are legally obligated, that issue should be brought to the legislature. They may not be happy with it, but it's the state law. The Board didn't make that law. He asked how much money we're talking about.

Mr. Ziemann responded that the specific item in the budget bill that passed deals with prior contracts and is just about \$6.5M from the State Lake Improvement Fund (SLIF). The other factor here is that the legislature tried to give the agencies as much flexibility

as they could possibly give to move funds around so they could continue to operate. That means that we have to go to those funds where we actually have a balance. About the only fund where we get through FY09 where we have a balance is the Heritage Fund. The other is the Land Conservation Fund which is voter rights protected and requires a vote of $\frac{3}{4}$ of the legislature. There are even more hurdles there.

Chairman Woodling noted that there are more people giving him Request to Speak forms.

Mr. Colton requested that, in addition to limiting the speakers to five minutes, they keep their remarks more concise. If someone has already said something that they agree with, they would simply say they agree with the previous speaker.

Chairman Woodling noted that he now had about 20 people wishing to address the Board. He asked that they limit themselves to 5 minutes and that they keep their comments succinct and to-the-point.

Mr. Doug Frerichs, AZ State Parks Foundation, addressed the Board. He stated that he completely understands that the Parks Board has a fiduciary responsibility to give the agency guidance on how to meet the current cuts that have been handed down by the legislature and that it affects employees and parks. It also affects the communities that surround those parks that may be closed. He hears a serious, somber tone here and that the Board feels that it must accept these cuts. As he listens to the discussion today the Board is worrying about what may come in FY 2010. While the Board pursues its fiduciary responsibility for this FY, he urged the Board to adopt the tone of not accepting these cuts and not accepting additional slashes to this fine parks system in FY 2010. This is a system that not only earns its keep, but better than that, brings in \$21M a year with 2.4M visitors a year. He doesn't see that additional cuts should have to be borne by this system by the legislature (a third of its membership being freshmen who have been in office barely a month). He encouraged the Board to take a very strong position against any further cuts they may have to deal with in FY09 and give this staff, as the Board has already directed, the emphasis that they should look at every possible means, and the Foundation will join in this, in advocating for this system so it can remain in business. He noted that the Board has the Morrison Institute Study. The Morrison Institute is prestigious. Our former governor and current governor have supported a task force. He believes that is a strong argument to carry to the legislature. He believes that what was handed out by the legislature this year is probably more than should have to be borne. He wishes that the agency's staff could find a way to not close any parks. He enjoined the Board to take a strong advocacy position, partnering with the governor and legislature to minimize cuts to this system, which would harm the state during this recession.

Chairman Woodling thanked Mr. Frerichs for his comments and noted that the study by the Morrison Institute that he mentioned was financed by a private donation.

Mr. Rob LaFontaine, Bullhead City, addressed the Board. He stated he wanted to comment on the suspension of the grant program. They are in a position right now where they have at least one project where they have already brought a contractor on board and have contractual obligations to. They would appreciate any amount of time, even a few weeks, to finish what they have started, working with the contractor to finish up the work and receive funding for this \$500,000 project. Losing that funding

would be detrimental to their city. They are also looking at reductions. They will do everything they can to save money.

Mr. Colton asked where they are in the project.

Mr. LaFontaine responded that he understands they have just begun the project. They are looking at six weeks to completion.

Ms. Eileen Gannon, Riordan Mansion State Historic Park addressed the Board. She stated that she is the great-granddaughter of Kim Riordan so she has a personal interest in the house. She is the daughter of Rita Gannon, whose two sisters are her aunts. She stated that the staff there have done an incredible job. The family has been more than pleased. They gave the house, lock, stock, and barrel, to ASP and they've done an incredible job with it. The family have given most of the artifacts (95%) and documents that really track AZ history. Tim Riordan started Lake Mary, which supplies Flagstaff with water. The family has retained about 5% of the artifacts. She has a rocking chair that is on permanent loan to the agency.

Ms. Gannon stated that, in the event the house would be closed as a state park, it would be a huge problem for the family. She believes that there is a clause that needs to be investigated regarding a deed restriction that says if it's not operating as a park, it reverts to the family. The family does not want to see that happen. She doesn't think the Board wants to see that. ASP just put in \$450,000 in the not-too-distant past to renovate, roof, paint, and replace the original wallpaper. The Board put a huge amount of money into it. It's like an old car – once you refurbish it you keep it. This is not the time to dump it. She understands that the actual operating expense, not including personnel, is \$27,000 per year, which they could start holding bake sales to cover. She understands that personnel costs are where the big money is. She is advocating for the family, for the house, and for the people who really love Riordan for the Board to reconsider and take Riordan off the list.

Ms. Westerhausen noted that it is so sad that just over a week ago the *New York Times* featured an article on things to do at Sunset Crater in Flagstaff and one of the activities they recommended was to tour Riordan Mansion.

Ms. Gannon responded that she is always hearing about articles from NY and around the country.

Mr. Kopp, City Engineer for the City of Show Low, addressed the Board. He noted that the representative from Bullhead City addressed some of Show Low's issues. Show Low has two SLIF grants and one LRSP grant for construction in two parks. Both are under contract. The loss of the grant funds will put them in a situation where they will have to default from those contracts as far as he can tell. They haven't had a lot of time to look at them. Their concern is that the commitment from ASP to fund these projects and now pulling the funding is going to be a problem. He looked at the grant agreement for the LRSP grant. There is language in that agreement that says if the agreement is terminated by the Board, the funds still must be available to the end of the period for which the funds are available. He's not sure what that means. He believes that there is some language in the agreement that talks about that commitment. He requested ASP staff, and especially legal counsel, to look at the legality of it and what sort of assistance the local communities will possibly get from state counsel to help them negotiate or litigate – whatever the case may be with the contractors.

Mr. Jason Mangum, City of Show Low Parks & Recreation, addressed the Board. He stated his concurrence with his colleagues from the City of Show Low and the City of Bullhead City. Not only does stopping these grants and projects hurt the Board's credibility, it hurts their credibility. It puts a scar on Show Low because land has been cleared for their project to put in a park. It leaves a scar in the middle of their community that can be compared to someone going in to KCSP with a can of spray paint. It is something they can't do anything about for the foreseeable future. He appreciates the Board's time and does not envy the position they are in. It is tough for everyone from the local level all the way up. He doesn't envy what has to be done, but he would appreciate the Board looking into keeping those grants that are under contract because not doing so puts them in a tight spot.

Mr. Scalzo noted that one of the parks under consideration for closure is Lyman Lake. He asked if that would have an impact in that area of the White Mountains and place more demands on cities like Show Low.

Mr. Mangum responded affirmatively. He stated that he grew up in rural AZ. He's lived in the Valley and in Prescott. He has the incredible opportunity to live in rural AZ and raise his family there. Money was not free-flowing when he was growing up. They took vacations to state parks. As he looks around the room, he sees places he visited as a kid and as a father of young children, they take their vacations to state parks. It means a lot to a native of AZ; it means a lot to his family – his brothers and sisters and their families. He doesn't envy what the Board has to do. ASP means as much to the citizens as to parks and recreation professionals.

Ms. Westerhausen asked what people, like Mr. Mangum and others who are here, do specifically to get the ear of their legislators to help them understand what they are doing to this agency.

Mr. Ziemann responded that they should certainly be contacting their legislators and let them know the impact that the cuts passed last Saturday morning will have on their communities and the impossible position they are putting the state in in breaking contracts that have already been executed.

Mr. Mangum stated that that is exactly what they have been doing. He sits on the Legislative Board for the Arizona Parks and Recreation Association (APRA) and they are doing their best whenever they receive alerts regarding things like this to get it out to their constituents and colleagues and to get people to bang the drums so to speak at the legislators. He added that we need everyone to jump in to protect our parks and recreation.

Mr. Landry stated that phone calls, faxes, letters and E-mails don't do it. It has to be face-to-face with the legislators. There are so many problems that it's hard to do.

Mr. Mangum responded that he agrees and that he has appointments on February 11th to meet with his legislators.

Mr. Ziemann stated that, just so there's no misunderstanding, those concerns were all raised with the legislative staff and with legislators. All of those issues were raised that this would be extremely problematic, but they did it anyway.

Mr. Thomas Wilson addressed the Board. He stated that he is the Director of the AZ Museum of Natural History in Mesa. They are a grantee of the Heritage Fund. He

noted that if one looks at the list for closure and does a cost benefit analysis, the ax falls unduly hard on the state historic parks. There may be other ways to do that analysis. He thanked the Board for all the hard work they are doing. He knows every Board member loves the parks. His question concerns the Heritage Fund. The language in the Agenda says the Board will consider suspending grant payments. He would like clarification on what "suspending" means. Obviously, one aspect is contractual obligations that have already occurred such as with contractors, etc., that they thought was encumbered and would come to them. Another aspect is that they've used some of their money from the Heritage Fund to try to leverage federal funds; they've used it as matching money for federal grants. He doesn't know what the consequences for them will be on something like that. He thanked the Board for what they do for the State of AZ.

Ms. Shifra Leah Boehlje addressed the Board. She stated that she is a volunteer at Ft. Verde State Park. She read her statement as follows: "I'm Shifra Leah Boehlje, a resident of Phoenix and a volunteer at Fort Verde State Historic Park. I am concerned about the possible closing and subsequent destruction of this beautiful historic landmark. We must all be vigilant in saving our few remaining historic buildings as a legacy for our future generations. If we don't preserve these buildings and artifacts we will be destroying the only remaining monuments devoted to the memory of those soldiers who gave their lives for this GREAT STATE. You have been empowered as stewards of this history and must protect and maintain these buildings and artifacts as such. I am so dedicated to this cause that I will do all within my power to save this fort and our history." She added that, as a volunteer, she's had little input for generating interest in our parks. If this Board would give her broader scope to plan activities and to advertise these activities, she believes she can do this.

Mr. Landry noted that he had to leave the meeting at this time. He left the meeting at 11:10 a.m., leaving the Board with a quorum to continue.

Ms. Sandy Bahr, the Sierra Club – Grand Canyon Chapter, addressed the Board. She thanked the Board for the opportunity to speak to the Board. The Sierra Club has been advocating for national, state, and local parks for more than 100 years. The history with ASP has been difficult. In the best of times the legislature has not stepped up to its responsibilities to the parks and funded them properly. The passage of the 1990 Heritage Fund came about primarily because the legislature had not adequately funded parks. This budget is a demonstration of the lack of commitment to parks. The Sierra Club advocated to the legislature very strongly that they have a parks system that is already strapped and have not given them adequate funding in good times. It's cut to the bone. The parks need to be held harmless in this budget. In the big scheme of things, we are talking about a relatively small amount of money in the overall budget. She stated that they did focus a lot on the Heritage Fund because that's something they worked hard on over the years. This is the first time ever that they've taken ASP's Heritage Fund money. She feels it's a sad commentary. She would like to be able to say to close a few parks and that will show them. But, frankly, she doesn't think they care. The people who will suffer are the people living in the local communities where the parks are an important part of their economies. It's an important part of our history. Places like Homolovi are critical to protecting those resources. Without ASP's protection, she is concerned about what will happen to those resources. She suggested the Board do what a previous speaker suggested and not accept the cuts. If the Board

has to, then take it directly to the people. She stated that she personally believes that the only way we will see our parks system functioning the way it should is through a voter-approved measure. She added that she cannot accept the Board going after the Growing Smarter dollars which are voter-approved. She believes those dollars are protecting important state trust lands. We should not rob Peter to pay Paul. It was very hard to get that money. What happens to the Heritage Fund, SLIF, etc., demonstrates the importance of the Voter Protection Act. She noted that the governor said she supported ASP then put more cuts on the table at the last minute. Ms. Bahr stated that she grew up in a family with limited income. The state parks were critical. Those are the places where people can go with their families. We shouldn't be raising the fees so that families can't go and we shouldn't be abdicating our responsibility to protect the resources in the parks, whether they are historic, cultural, or natural resources. It's important to fight back.

Chairman Woodling noted that he sat in the Senate Natural Resources Committee meeting yesterday. They listened to ADOT and then they listened to ASP. Mr. Travous mentioned that it was the first time in 16 years or so that the agency has been asked to come to that committee and present a program of what we do and how we conserve the historical aspects of the state. He believes that Mr. Travous and Mr. Ziemann did a very good job. He knows at least one freshman Senator on that committee who is from the ranching industry. He heard things they said yesterday that were politically expedient for them to say. He was very disappointed. They were talking about how we can save a penny here and a nickel there but they weren't addressing the real issues. There were some comments made that were appropriate to our situation but he got the feeling that we were just taking up their time and that they weren't really interested in what we had to say in the big picture. He knows the people support us but he's not so sure the legislature does. He agrees with Ms. Bahr's comments.

Mr. Winkleman noted that Ms. Bahr has a long history and a lot of experience in working with the legislature in this type of situation. It's a terrible time; everyone's howling; there were marches on the capitol last week. When she says to take it to the people, he asked if she has something concrete that the Board can do. He has gone to the legislators and is lucky to get 3 minutes of their time. As the Chairman said, he's not sure they're listening. Saying something and actually doing it are two different things.

Ms. Bahr responded one thing would be to have community meetings in places where parks are potentially on the chopping block. The legislators need to feel the heat in their own districts. The Heritage Fund money benefits every single legislative district in the state. The topic of privatizing the parks comes up every time. Tonto Natural Bridge State Park doesn't make a lot of money, but it's a wonderful park. When she says to take it directly to the people that means going out and going around the legislature to some degree. She personally thinks that for the future the Board needs to seriously think about a citizen's initiative. While that's not a popular thing to say, she believes that the Board needs to look at a citizen's initiative for parks. The Board can bang their heads against the wall only so many times before figuring out a different approach. She knows that doesn't solve the short-term problem. She suggested looking at the license plate fee. There would have to be an easy way to administer it. The Board needs to look at creative ways to achieve an ongoing dedicated fund. The legislature will not do it with the General Fund.

Mr. Colton noted that the parks are located in 14 counties. Most of the legislators are in the other county. In talking about economic viabilities of small rural communities around the state, environmental and historic preservation, natural and human resources in those areas, and the social benefit of having these places here it should be a no brainer. But it's not. While he'll refrain from saying it's a no brainer, he believes it has something to do with those making the decisions.

Ms. Jean Emery, Board Member of the Benefactors of Red Rock State Park addressed the Board. She stated that she has been affiliated with ASP in the past. She served as a former Assistant Attorney General representing ASP and then as the first Chief of Resources Management. She is here in her capacity as a member of the Board of Directors of the Benefactors of Red Rock State Park which is a group of individual citizens who have come together to raise funds and make financial contributions to the park that cannot otherwise be accomplished as a result of the budget issues all of the parks face. Additionally, she wanted to say that Red Rock State Park has a very large volunteer contingency. They have drawn extensively from the community and the community is deeply involved with the park. She noted that she has a lot of friends in this room, but after her comments, that may not be the case. She noted that Messrs. Landry and Winkleman suggested looking at other options. She assumes that cuts need to happen. This is not something she supports, but that's what the Board has to face. As Mr. Landry said, it can't be all about the numbers. She suggested that the Board consider adopting a methodology or a construct or a test to apply to the decisions to be made about these cuts. The test she suggests the Board consider is whether they are saving an agency or saving the resources. She called the Board's attention to the Mission Statement that was read earlier this morning, particularly the last three words: "benefit of the people". To that end, will the decisions that might be made benefit the people. Do they touch the people? Arguably, the seasonal employees touch the people of AZ far more directly than the folks who work in the Phoenix Office. Granted, everyone here working at ASP is trying to benefit the resource. All the work done goes to benefit the resource. But, can we apply that analysis? Just as a point of suggestion and for illustration purposes only, she stated that if the Board were to take the salaries of those sitting at the table across from the Board (the Executive Staff) they might cover three or four of the parks on the list of parks to be closed. It's easy to lop off an arm or lop off units; it's nice and clean. It's easy to lop off a unit that is way out there 300-400 miles away where no one sees those people or even know who those seasonal employees are. It's the people who come to the gates who see and know those people. They are the ones who take the dust off the artifacts and make sure the lights are on and open the doors and clean the rest rooms. She asked that the Board adopt a methodology that would help them determine whether this will benefit the agency or the resources. The Board has the units being lopped off but this office is ticking away. She asked if the Board has achieved its mission. She believes, unlike the Land Dept., ASP has a high number of uncovered employees who are at-will employees. She doesn't think the RIF rules and process would affect them. It does apply to Civil Service employees. On behalf of Red Rock State Park, she noticed that gift shop revenue is not included. If the staff is going to apply some analysis about how much revenue a park brings in per visitor a number of parks (Red Rock and Tonto) have very productive gift shops and bring in quite a bit of revenue. If it does come back to numbers, then ask what the numbers are and what the revenues really are.

Ms. Nancy Smith, Great American Puppet Theater addressed the Board. She stated that they were a recipient of a Heritage Fund grant to fix their leaky roof. She is a puppeteer. They have a building that is on the National Register of Historic Places that had no electricity and a very leaky roof. They have been fixing it up for some time and are still having trouble with the roof and some other things that the grant addressed. Aside from being a puppeteer and now a historic building renovator, she is by nature an environmentalist. She asked what "suspension" of grants really means and what it will mean to the grant funds that she has also leveraged with this particular grant. She also wonders if this is really legal. She knows that the Heritage Fund money they received came from the Lottery; it's always been advertised that lottery dollars are doing this, this, and this. All of a sudden they're swept into the General Fund? She stated that she wishes the Board would be more proactive in letting the legislature know that that's not what this money was meant for. Then she listened to the Board talk about the parks. She runs a non-profit that is 25 years old. As she explained to her mother-in-law once, she doesn't work to make money; she makes money to do her work. She can't just look at dollars and cents and assess the value of it. If she did that, all she would do is one person's birthday party show and the kids who really needed the show to help them stay in school would be left out. When the Board look at the list of parks they can't say, "This one makes money; this one doesn't." If the Board loses that park that doesn't make money, it loses so much. We'll lose those historic buildings. We know that our land is fragile. What Puppet Theater does is to try to figure out how to make one program happen because they've done the others. In looking at the numbers, if one goes down the list to Lake Havasu it shows 248,851 visitors with a net revenue of \$0.04 per visitor. Surely that could come up. That could be something that's done in the short term. Instead of talking about which parks should be closed, maybe look at this a little more carefully and say, "What is the possibility of getting more money?" If those people all paid a dollar more it would be \$248,851 right there. She doesn't know where that money comes from – docking boats or something. But even asking for an additional \$5 wouldn't be too much to ask. She hoped that, aside from saying these parks have to be closed, the Board would be a little more creative and look at what it has and see where the Board could go from there in the short-term. She also thinks that the money from license plates is a good idea.

Ms. Elizabeth Stewart, former Parks Board member, addressed the Board. She stated that she is a life-long user of parks. She was on the Parks Board in 2002 when the issue of closure of parks came up before. After a six-year term, one looks back and there are some things to be really proud of and there are some things that, if one had to do over again, would have been done differently. The thing that comes to the top of her list every time is that she regrets that she voted to close parks. The reason she regrets that is that she felt she and the rest of the Board members did not sufficiently explore other options. She was very heartened today by the comments of many of the Board members regarding the need for a menu, the fact that once something is sacrificed it's lost, etc. She urged the Board to look at this a different way. She recognizes that this is a much worse budgetary crisis than the one the Board faced in 2002. She is not in any way minimizing what is before this Board. She believes that there is no way to avoid some reduction in staff. However, once decisions are made staff lives are affected forever; resources are affected forever. There is irreparable damage once a park is closed. As other speakers have pointed out, the Board may not be able to close many of these parks legally because of reversion clauses, liability, and duty to protect artifacts

and other resources. Perhaps it may be better to consider a different way of looking at this. Things mentioned today are seasonality and reduction in days of operation. Staff can't necessarily move from Lyman Lake to Patagonia, but there are many parks within an hour's drive from each other. During her tenure on the Parks Board it was not unusual when there were special events for people to be assigned for a day or a period of time where they drove an hour. She would say many people would rather drive an hour than lose their jobs. It may be possible to reduce some of the services provided in some of the parks and still keep them open. She's not sure why furloughs can't be done at ASP if they can be done at universities. These are things that need further exploration. It is obviously more difficult to come up with this kind of menu or options and it's more difficult to operate, but for the staff, citizens of AZ, and the resources it may be the better way to go. She agrees with other speakers that closing parks will not get the legislators' attention. She believes that the focus really needs to be on the resources, the people, and the staff. She is concerned that the cultural and historic parks, although they may be a high-cost per visitor, are taking a disproportionate hit on the proposal. It might be helpful to look at the fact that not much money will be saved by closing them. In 2002 the Board closed a lot of historic parks and really didn't save much because skeleton crews were left there. The places couldn't really be boarded up. Attempts to board up and completely close historical or cultural parks would result in greater damage and much more irreparable than the damage that would be done to our recreational parks by shuttering them. As Ms. Emery pointed out, the Board needs to look at what the damage is in addition to what is being saved. She suggested that the Board change its focus. When she worked for the AG's Office, she represented a lot of state agencies. They were going through performance audits all the time. One of the auditors said that they don't really save any money when they audit the small agencies because there isn't that much there to save. She believes that it's the same with the smaller parks that are on the list. If the Board looks instead at the high-dollar cost parks – the parks that cost a lot to operate (KCSP, Patagonia Lake) – they may bring in a lot of revenue; there may be ways to reduce some of the operating costs and still maintain most of the revenue. If the operating costs can be reduced at some of the large parks, six or seven small parks can be saved and affect a lot less people and resources. She applauded the Board for not rushing to take any action today. Obviously, this is an urgent problem, but it's important to do it right.

Mr. Vic Linoff, Historic Preservation Advisory Committee, addressed the Board. He stated that, based on the discussion today, he knows he's addressing the wrong body. In reality, access to the Board is easier than access to those making the wrong decisions down at the legislature. He thinks we should be talking about, recognizing, and being aware of the value of the Heritage Fund grants. He particularly appreciates Mr. Landry's remarks regarding the legal obligations to honor pre-awarded contracts and determining whether that is legal. In the larger picture, grants are essential to preservation, as the Board well knows. That small amount of money goes a long way throughout the state. It is also essential to our economy. Preservation grants are dependent on those small dollars the Board provides to important projects in the state. Regarding the economy, he would ask we all consider the larger economic picture. These grants really represent an economic stimulus. By pulling them away, we are really creating a house of cards. By not having grant contracts, we are contributing to a further decline in our economy because we aren't stimulating the circulation of those

dollars both in employment and investments in other goods and services. Suspending the grant agreements, in his estimation, violates the real spirit of the voter intent when they approved the Heritage Fund. Decisions are made by the legislature; but we, as citizens on various boards and commissions play a role as advocates. He would look to the Board to be at the legislature, pounding the table at the legislative meetings, and using their positions to get this word out. Staff cannot do it as effectively as we can as volunteers. He knows these are painful decisions. In the scheme of things, the entire Parks budget is relatively small. No one wants to waste taxpayer money. ASP is taking a disproportionate hit in a number of areas that really provide great benefit to a lot of people.

Ms. Maureen Rooney addressed the Board. She is a private citizen who lives in the Coronado Historic District. Last Friday she was on contract with the City of Glendale to administer a Heritage Grant fund that would have improved 10 properties. She is feeling like life is unfair. Two of those 10 property owners had notices to proceed. Every one of them had an easement required against their property for this grant fund that they will not get apparently. She is asking the Board for a very small favor. The Board has really big problems to deal with and she appreciates that the Board is doing that. She requested that if the Board has given a grant, it has a notice to proceed, and has an executed contract let it be and they'll figure out how to deal with it in the future. Everyone knows we are in bad times. She's OK with not having her contract honored, but there are two property owners who were ready to go and they are not so OK with it. She noted that she appreciates Mr. Landry's comments.

Mr. Jerry Van Gasse addressed the Board. Mr. Van Gasse noted that all these great places came about through people who were passionate about them and had vision. One can't put a price on any of these properties. This is a unique state. When he leaves here he is going down to City Council. The first thing they hammered was parks. City parks, state parks, federal lands – they can't speak. It's the people with the vision and passion who have to speak for them. It's the vision and passion that will sustain them. At one time these processes and budgets weren't so politicized. In the 1970s and 1980s he worked with two individuals at total ends of the political spectrum – Barry Goldwater and Mo Udall. But their passion and vision for this state was so great that they worked together to get things done. He doesn't see that any more. What he still sees out there now is Stewart Udall who currently lives in Santa Fe. He was the most prolific Secretary of the Interior this country has ever had. He left Phoenix and Arizona, which he loves – he was born and raised here – because no one would consult with any of these types of visions. We have these resources all around the state; people are passionate about it that we're not even reaching out to. That's the resource we should be tapping into. The numbers are meaningless; we need to go out and find these people.

Ms. Bonnie Bariola, Florence Preservation Foundation, addressed the Board. Their foundation sponsors Historic Preservation Heritage Fund grant applications. These projects benefit the community and they also help the economy. The Town of Florence, after sitting vacant for 32 years, have just completed the rehabilitation of a hotel. This has been an inspiration to the people of the town. About 750 people turned out for the ribbon-cutting ceremony last Friday night. She was very excited about that until she went to a meeting Saturday morning and learned that McFarland State Historic Park, just across the street from the hotel, is going to be closed. Unfortunately,

as Mr. Travous stated earlier, the walls are falling down at McFarland. ASP had funding to rehabilitate the building, but that money was taken away, too. She concurs with Ms. Stewart's comments to look into funding other than just the numbers. She noticed that, on the list, McFarland is the highest by cost-per-visitor. She suggested that the Board look at other things than just the bottom line. She suggested cutting McFarland back to 1.5 employees instead of 3 employees; stay open just 5 days per week instead of 7; and give the other parks that were going to be closed the option of doing the same. She asked the Board to use some other method in order to keep those parks open and cut the costs down. She added that she has 3 additional signed contracts for projects in Florence that are in dire need of rehabilitation. A couple of them can probably wait. She is not at a stage in the process that it would be drastic right now to wait. Her question is what happens to the contracts that are already signed – would they ever get it back? While the Board may not know the answer, she has to tell the town something.

Chairman Woodling stated that the Board has heard from all of the speakers; they've heard from staff and the Board members themselves on this situation. There is an Action Item for the Board to consider.

- 2. Take Any and All Actions That Might be Necessary to Balance the Agency's Budget** – The Board may discuss and take any and all actions necessary to balance the budget including, but not limited to, suspending grant payments, staff layoffs, and park closures.

Mr. Cordasco asked if the Board was going to discuss holding an additional meeting between now and February 20th.

Chairman Woodling responded that that would be an impossibility because the Board needs to allow staff to internally address some of these comments brought up by the speakers and this Board. He agrees it would be nice to have a pre-meeting on the 18th, but he can't answer Mr. Cordasco's question right now.

Mr. Colton stated he received an E-mail from one of his colleagues – Santa Cruz County Planner Mary Dahl – and read her message into the Record as follows: "Arlan, please don't let them close the Tubac Presidio State Historic Park. As for what it costs to run the place versus dollars per visitor get the real savings not some calculated value. This is the first state park!! Have them close for two days a week. In fact, have all the parks close for two days a week and figure out the savings for that. People still have their jobs and will be lining up front."

Mr. Winkleman noted that some of the letters the Board received in their packets requested to be read into the Record.

Mr. Travous noted that the Board may not have all of the letters received. Some were sent to him.

Ms. Westerhausen asked if that meant these letters would be posted with the Minutes online.

Ms. Busser responded that the letters in the Board's folders were received by her by E-mail and can be forwarded to the Webmaster for inclusion following the Minutes.

Mr. Ream added that staff can make .PDF files as well.

Ms. Westerhausen stated that as long as they can be included with the Minutes for the public to be able to easily read, then she is OK with not having all of them read into the Record.

Board Action

Mr. Winkleman: I move that the letters to the Board be included as part of the Record.

Ms. Westerhausen seconded the motion. The motion carried unanimously with Mr. Landry absent.

Mr. Winkleman stated he suspected, because of the lack of time, the Board would ask the staff to spend a lot of time looking at different things and that there's a lot of work to be done. There isn't time to meet before the regularly-scheduled Board meeting. He suggested that the Board consider a day shortly after that meeting in case the Board is unable to come to final decisions at the February 20th meeting. Some of the decisions that need to be made may not fall easily within the time constraints of the next meeting.

Chairman Woodling asked Ms. Hachtel if the Board can notice an Executive Session before the February 20th meeting and have it the first Agenda Item to discuss some of these issues without the public present and then begin the public meeting at 11:00 a.m.

Ms. Hachtel responded that she believes that is permissible.

Chairman Woodling stated that he realizes that the Board cannot make any motions in Executive Session.

Ms. Hachtel asked if the Chairman was asking if the Board could begin the meeting and have the Board go into Executive Session on the matters and just moving Executive Session to the beginning of the meeting.

Chairman Woodling responded affirmatively.

Ms. Hachtel responded that she believed that would be permissible.

Mr. Howard Fisher, *Capitol Media Services*, stated that if the purpose of an Executive Session is to explore possibilities and consider political implications, the Board will be in violation of the State Open Meeting Law. If the Board is going into Executive Session to consider advice from its attorney on contracts and action to be taken, that's fine. If the intent of this Board is to go into Executive Session and kick around some ideas in order to come out with something later, without having to go through blood, sweat, and tears, then he will be seeking an injunction.

Ms. Hachtel responded that Mr. Fisher is correct in that regard. If the advice the Board is seeking is in regard to any legal ramifications of actions the Board may take, that is permissible.

Ms. Westerhausen stated, in answer to Mr. Fisher's concern, she has a list of 6 or 7 items that she believes qualify as legal issues and not trying to politic behind closed doors. For example, the legality of a furlough program was raised here today; the legality of ADOT wanting payment for issuing the OHV licenses that were supposed to start January 1 (she believes that is fair game for an Executive Session); the issue of land reverting back to the owners; and, most particularly for today's discussion, whether it's legal for the Board to cancel the Heritage Fund's grants as of February 28th. She believes that those are all things that the Board has to address in an Executive Session.

Mr. Fisher responded that his concern is that in discussing furloughs the discussion would turn to the merit of it and on what days. As long as it is limited to advice from the Board's attorney, to keep the Board legal, that's fine. He's just concerned about where these discussions may go.

Mr. Colton stated that the Board's attorney has always done a very good job at keeping the Board quite legal.

Mr. Travous stated that whether or not the Board can close those contracts is arguable. The Board needs to find that out. The legislature has already taken the money. They do not consider this to be their problem if this turns out to be illegal. It's the Board's problem. They put in the clause that the Board can use whatever funds it has at its disposal after all these raids to make up for any mistakes they might have made. Those grants were about \$6.5M. That's about what the agency has left in the non-operating part of the Heritage Fund. Staff are trying to save programs. He's afraid Ms. Stewart is correct; he's afraid the legislature won't care if the Board closes parks. He knows they don't care about programs. He asked that the Board remember that they have already taken the money; it's not their problem – it's the Board's; the fix they have is what little we have left in the Heritage Fund; and then we're done. We can use that to keep parks open if we want to keep tapping that fund; we can use it to save the grants that are out there; we can't use it twice.

Ms. Westerhausen asked if any of the people who are parties to already-executed contracts were to sue if they would sue the State of AZ rather than ASP. She suggested that might be a question for Executive Session.

Mr. Scalzo noted that the Board needs to take some kind of action with their fiduciary responsibility. None of the Board members like it; we didn't cause it. He believes that by February 20th the Board needs to have something back to them that they can digest and make some decisions on.

Board Action

Mr. Scalzo: I move that the Board take a look at means of reducing its expenditures over the next two weeks, that includes but is not limited to, personnel actions, closure of parks, and/or other actions that affect this park system. This information is to be available to the Board at least 24 hours in advance of the February 20th meeting.

Mr. Cordasco seconded the motion.

Mr. Winkleman asked if the intent of the motion is for staff to deliver that information to the Board at its meeting or prior to the Board meeting.

Mr. Scalzo responded that he would propose that information be provided to the Board at least 24 hours in advance of the meeting so the Board can review it prior to the meeting.

Ms. Westerhausen asked if the motion is also intended to address the Heritage Fund issues.

Mr. Scalzo responded that he thought staff would look at all available resources.

Chairman Scalzo asked Ms. Busser to repeat the motion.

The motion was re-read.

Mr. Winkleman stated that he hoped the Board would look at a variety of things they can consider. He stated that he hoped that it would not mean that the Board thinks the deficit is \$647,000 so here's a plan to save \$647,000.

Mr. Travous responded that Mr. Winkleman is looking for a "Chinese Menu" – choices from Column A and Column B.

Mr. Winkleman responded that he believes the Board needs choices – some monetary and some not. For example, the actual cost of protecting assets (whether it's in storage, hiring guards, or leaving a skeleton crew), changes in operating hours and what options may be there, furloughs (how to implement and what kinds of savings could be generated), administration (expenses in headquarters and other places that may not directly relate to the operations of a park), intangible benefits (geographic spacing), legal restraints (deed restrictions, requirements on federal funding), reductions at parks that are not going to be closed, and the legality of sweeping the Heritage Fund and other funds. Those are some of the things he would like to see specifically addressed.

Chairman Woodling stated he did not believe that needed to be an addendum to the motion on the floor. It will be in the Minutes and staff can address those issues.

Mr. Colton stated he agrees with Mr. Winkleman and believes that's a great place to start. He noted that the reality may be that some of those things may not be able to be found out in two weeks. There will still be some guesses in terms of what the Board can and cannot do within that time frame. In looking ahead, it doesn't bode well for the next FY when those choices are going to be tougher. He understands the motion. He also understands and appreciates all the work staff have done in a very short period of time to get us to where we are today with the information they provided.

Chairman Woodling called for a vote on the Motion on the Floor. The motion carried unanimously with Mr. Landry being absent.

Chairman Woodling noted that the Board voted on the yearly schedule of meetings – dates and places of meetings. The Board voted to hold the February 20th meeting to be held at Boyce Thompson Arboretum. Due to the severity of what's happening to the agency, he stated that the February 20th Parks Board meeting will be held in Phoenix.

Mr. Travous responded that the Board Chairman has the ability to change the meeting sites. He suggested that the site be at a larger venue in order to better accommodate the public.

Mr. Cordasco noted that he understood that the Board also had to take action on the grants today.

Chairman Woodling responded that he believed Mr. Scalzo's motion included that as far as what the Board directed staff to do between now and the 20th.

Mr. Cordasco noted that one of the speakers stated that the grants are economic stimuli. He suggested that that would be a catch phrase that would work these days. He suggested having a group of people considering our terminology and the way we present these things so that we're in the best position we can be in.

D. ADJOURNMENT

Mr. Winkleman made a motion to adjourn the meeting. Mr. Scalzo seconded the motion and it carried unanimously, with Mr. Landry absent. The meeting adjourned at 12:10 p.m.

Pursuant to Title II of the Americans with Disabilities Act (ADA), Arizona State Parks does not discriminate on the basis of a disability regarding admission to public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the acting ADA Coordinator, Karen Farias, (602) 364-0632; or TTY (602) 542-4174. Requests should be made as early as possible to allow time to arrange the accommodation.

APPROVED:

Reese Woodling, Chairman

Kenneth E. Travous, Executive Director